

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1080 – SB 903

March 15, 2011

SUMMARY OF BILL: Excludes from the meaning of “sales price,” for the purpose of state and local sales tax exemption, hosting or processing services, including application, website, electronic mail, whether or not the taxpayer contracts with an outside hosting service to provide the services; services performed by remote access or means, including helpdesk, technical support, problem diagnostics, circumvention, operators, monitoring, software consulting, configuration, installation, troubleshooting, and repair; and disaster recovery services for information technology. Exempts, from state and local sales tax, the fabrication or development of computer software by a person or business entity, or its employee, whether the employee is temporary, part-time, or full-time, its agent, or its contractor.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$15,551,400

Decrease Local Revenue - \$6,570,000

Assumptions:

- Based on information provided by the Department of Revenue (DOR), taxable sales for remote hosting services and custom software development were approximately \$232,857,100 in FY09-10. The Fiscal Review Committee staff does not have access to the data and information upon which this calculation is based and cannot independently verify its accuracy.
- DOR confirms these sales are sales-taxable under current law.
- Sales for such remote hosting services and custom software development will become exempt from state and local sales tax under this bill.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- The net decrease in state revenue will be \$15,551,420 $[(\$232,857,100 \times 7.0\%) - (\$232,857,100 \times 7.0\% \times 4.5925\%)]$.
- The decrease in local government revenue will be \$6,570,005 $[(\$232,857,100 \times 2.5\%) + (\$232,857,100 \times 7.0\% \times 4.5925\%)]$.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc